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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Communists will attempt to exploit Olympic Games for the "peace" campaign: An organization calling itself the Finnish Festival Committee, which according to reliable evidence is strongly tinged with communism, is planning to set up a tent city on the island of Degreb, a few miles from downtown Helsinki, to house some 10,000 Finnish and 1,550 foreign youth visiting the July Olympic Games.

Other political groups who had been refused permission to arrange camps for the event protested to the Finnish Olympic Committee, which was reluctant to discuss its apparent inability to do anything about the project. The Olympic Committee pointed out, however, that this separation sponsored by a political group and the announced intention of the Iron Curtain countries to segregate their competitors and attendants, ran counter to the spirit of general fraternization which is supposed to characterize the games.

Comment: The Cultural Exchange Commission of the World Peace Council reportedly decided at a recent Vienna meeting to exploit the Olympic Games for the purpose of the peace campaign. To this end they addressed German and Scandinavian sports organizations, claiming that the Olympics are under anti-popular direction which distorts the true spirit of the games in a manner similar to the "Fascism" of the 1936 games and appealing to them to take their stand for "peace" at Helsinki.

A Moscow broadcast in January asked athletes all over the world to make the games "a veritable Olympics of peace." The World Federation of Democratic Youth Executive Committee meeting in Copenhagen has decided to hold a "peace camp" in Finland to coincide with the games.

SECRET

SECRET

2. Communist International Youth Festival to be held in Denmark: The Communist Land og Folk announced on 4 April that an international youth festival will be held in Frederikshavn, North Jutland, from 6 to 13 July, and that the Danish Festival Committee will try to make it identical to the World Youth Festival held in Berlin last year. A tent city near a fine beach, a newly constructed dancing pavilion, excursions to Skagen, sport contests, and camp-fire entertainment, a big peace meeting and "lectures by well-known personalities" are planned. [REDACTED]

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Comment: Denmark has recently acquired some importance as a meeting place for international Communist gatherings. The Preparatory Committee for the Moscow Economic Conference set up headquarters there, and the Women's International Democratic Federation scheduled their Third Congress to take place there this autumn. This youth festival is one of a series of "Holidays for Peace - 1952" planned by the World Federation of Democratic Youth at an executive meeting also held in Denmark in January.

The Communists hold large international youth festivals only every second year, and the Danish Festival is not likely to be as ambitious as the August 1951 Berlin meeting which had an attendance of about one million.

3. French-Hungarian trade agreement signed at Budapest: The French-Hungarian commercial treaty was renewed on 3 May at Budapest, and a protocol regulating financial questions was signed. The value of the commitments remained three billion francs for each signatory as in the 1951 treaty. France will supply manufactured goods in return for agricultural products and textiles.

The US Legation at Budapest notes that Hungary fulfilled less than two-thirds of its commitments under last year's treaty. The failure casts doubt on Hungary's claims to greater trade potential at the Moscow Economic Conference. The Legation also pointed out that the cotton textiles were exported under the agreement at one-seventh the Budapest retail price, obviously to facilitate their dumping on the French-African market. [REDACTED]

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Comment: Negotiations for the renewal of the 1951 treaty have been in progress for some time, and France made some modifications in the quota lists to eliminate possible US objections to French exports of strategic materials.

SOVIET UNION

4. Oblasts established in Azerbaijan SSR: An April edict of the Presidium of the USSR Supreme Soviet divides Azerbaijan into two oblasts: Baku Oblast with its capital at Baku and Gyordzhinskii Oblast with its capital at Kirovabad.

The city of Baku remains directly subordinate to Republic governmental organs.

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Comment: The establishment of oblasts in Azerbaijan leaves only three Union Republics -- Latvia, Estonia, and Karelo-Finnish SSR -- without oblast or comparable territorial divisions. The reorganization in Azerbaijan was preceded by the formation of oblasts in Georgia in December 1951 and okrugs in Moldavia and Armenia in January and is part of a continuous trend towards territorial sub-divisions in the USSR.

The timing, however, is probably connected with the current need for closer control of economic and political activities in these border areas. This is substantiated by the Georgian republic prosecutor's statement in March that the establishment of oblasts in Georgia would greatly increase the effectiveness of prosecutor organs in combatting crime, since better liaison with local prosecutor offices could be established by the new oblast prosecutors.

SECRET

SECRET

FAR EAST

5. Government official denies widespread anti-US sentiment in Japan: During Diet discussions on 6 May, Attorney General Kimura dismissed the view that the May Day riot stemmed from ill feeling toward the United States and declared that only a minority group of destructionists were anti-American. He said that the participants in the disorder consisted of 1,000 day laborers, 2,400 members of a Communist-front student organization, and over 2,000 leftist Koreans, most of whom were under 30 years of age. Kimura claimed that the riot was deliberately provoked by the "so-called military committee." [REDACTED]

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Comment: Seized Communist documents reveal that the Japanese Communists are now promoting the formation of local para-military units, with military affairs committees at local, regional and national level. Although the documents stress preparation for the future, isolated outbreaks of violence are likely to occur as the local units become better organized and anxious to test their strength.

6. Veteran Japanese diplomat to head Progressive Party: Mamoru Shigemitsu, Japan's Foreign Minister at the time of the surrender, has announced that he will accept an offer to head the conservative opposition Progressive Party. [REDACTED]

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Comment: Shigemitsu, who was Japan's Foreign Minister three times during the last two years of the war, was paroled after serving most of a seven-year war criminal sentence. He is considered pro-Western, however, and reportedly was influential in bringing about Japan's acceptance of the surrender terms.

While acknowledging Shigemitsu's worthiness, the Japanese press has questioned the advisability of selecting a former war criminal, whose current political views are unknown. The Progressive Party, which currently holds 69 of the 466 seats in the Lower House, has been searching for a top-flight leader since its formation early this year.

7. South Koreans present four proposals to US Economic Mission: The South Korean Minister of Defense on 5 May presented a memo to the US Economic Mission requesting that

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SECRET

several proposals be embodied in any agreement concluded between the United States and the Republic of Korea. The proposals, unofficially approved by President Rhee, call for a security pact, an over-all military assistance agreement, the "superiority" of Korean armed forces to the Japanese forces and sufficient American "material background" for Korea to have a fighting strength of two million men. [REDACTED]

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Comment: These proposals, made frequently in the past, do not fall within the purview of the agreement on economic coordination between the ROK and the Unified Command being negotiated by the US Economic Mission. The South Koreans had previously proposed a separate "civil affairs" agreement which American officials think would also entail some sort of security understanding with the South Korean Government.

8. Added evidence that Soviets will continue to control Manchurian railway: A Peiping broadcast of 3 May expresses gratitude for the labors of "Soviet experts," attached to the Chinese Changchun Railway in Manchuria, for training 16,300 Chinese managerial and technical personnel and an additional 67,000 on a part-time basis.

A Russian employed by this railway in January 1950 reported that it then employed 3,000 Soviet personnel and 20,000 Chinese. The 3 May broadcast, alleging that the Chinese have "mastered the superior socialist method" of management and operation and have made the railway a "model" of high efficiency at low cost, thus suggests that enough Chinese have been sufficiently trained to run the railway without the Russians.

Nevertheless the broadcast says nothing of the completion of the mission of the Soviet personnel. Neither is there any mention of the Sino-Soviet treaty of February 1950, which provides for the return of this railway to Chinese control by the end of 1952.

This continued studied omission further supports the speculation that Soviet personnel attached to this railway, who are in positions giving them control of its operation, will be "requested" to remain beyond 1952. [REDACTED]

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SECRET

SECRET

9. Chou En-lai denounces Japanese peace treaties: Chinese Communist Premier Chou En-lai's 6 May statement on Japanese peace treaties illustrated Peiping's current policy of preparing for eventual Sino-Soviet military action against both Japan and Formosa, without committing the regime to an early operation against either.

Chou's third major statement on this subject in the past year repeats earlier charges that the United States has disregarded the rights of other states in its preparations for a new war, that the treaty aims at transforming Japan into a US military base threatening the security of all Asia, and that the lackey Yoshida government is eager to cooperate in new aggression.

In characterizing the Japan-Chinese Nationalist treaty as a "military menace" to China, and in denouncing the treaty's application to all territory which may come under Nationalist control in future, Chou implies an expectation that Japan will not recognize Communist authority on the Chinese mainland.

Chou's statement does not mention the Sino-Soviet treaty of 1950. This treaty, specifically directed at preventing aggression by Japan or any state allied with Japan, can be invoked to justify a joint Sino-Soviet operation against either Japan or Nationalist China. Chou's omission suggests that the USSR is not willing at this time to provide the assistance which Peiping would require for a successful operation against either adversary.

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10. Bunker fuel oil smuggled to Chinese Communists: The Italian-flag vessel Rialto is believed to have unloaded about 600 tons of bunker fuel at the North China port of Tsingtao in early April.

This ship, under charter to the Czechs, left Sumatra on 19 March with full tanks of 1,400 tons, proceeded to Tsingtao, and arrived at Singapore on 16 April. The Assistant Naval Attache calculates that after this trip the vessel should have arrived in Singapore with over 800 tons of bunker fuel

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Comment: Unloading the excess bunker fuel has become the most convenient way to evade Western embargoes on petroleum sales to Communist China.

SECRET

SECRET

The major British and American oil companies have reached general agreement on withholding bunkers from vessels trading with the Chinese Communists. Exceptions are made, however, for ships holding world-wide contracts with the companies. In addition, the British oil firms will sell bunkers to British registry merchant ships trading with Communist China.

11. Anti-Communist demonstration in Tibet suppressed by force:
The Indian Ministry of External Affairs, commenting on the recent report from its Lhasa representative of a clash between Tibetans and Chinese Communist troops, attributes the demonstration primarily to a food shortage aggravated by the presence of Chinese soldiers, and to the growing unpopularity of the Chinese in Tibet.

The American Embassy at New Delhi believes that the Chinese face an increasingly difficult situation in Tibet with the growing possibility of more uprisings. [REDACTED]

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[REDACTED]
Comment: The presence of from 10 to 15 thousand Communist troops has been a burden on Tibet's limited food supply. The Chinese, however, have full military control and can suppress any opposition.

12. French official foresees no Viet Minh offensive in Tonkin this month: In the opinion of the senior French civil officer in Tonkin, there will not be a repetition of last May's "rice offensive" by the Viet Minh. He told the American Consul in Hanoi that the delta is far more heavily infiltrated than at this time last year and that a concerted effort, possibly bringing into action two lately inactive Viet Minh divisions, was unnecessary because great holes in French defenses permit the Viet Minh to take out rice at will.

The French official himself favors a policy of constant military offensive, and he deplored the system of heavy concrete blockhouses, which he termed "a poor man's Maginot Line." He said that these fortifications are useless except for defense against heavy forces, such as the Chinese Communists, and for the guarding of a strategic area, such as Haiphong. The Viet Minh, he added, can neutralize the blockhouses merely by avoiding them. [REDACTED]

25X1

SECRET

SECRET

13. Vietnamese Premier imputes bad faith to French Minister:
In an interview with the American Minister in Saigon, Premier Tran Van Huu accused Letourneau, French Minister for the Associated States, with attempting to secure his dismissal from office and with the intention of negotiating a territorial settlement with the Viet Minh. He promised to produce documentary proof of the second accusation. [REDACTED]

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[REDACTED]
Comment: Letourneau has emphatically stated that France will not take the initiative in negotiating with the Viet Minh, and that there can be no question of negotiations except under the auspices of the Bao Dai Government. The Legation in Saigon has already received obviously forged documents purporting to prove the French Government's intention to negotiate.

Premier Huu has been in disfavor with the French since last November. At that time the acting French High Commissioner clearly intimated to the American Legation that within a few months Huu should step down in favor of a "better and stronger man." French pressure to effect the removal of a Vietnamese premier would not be unprecedented.

SOUTH ASIA

14. Pakistani Finance Minister's heart attack raises serious problem for his government: Pakistani Finance Minister Mohammad Ali suffered a severe heart attack on 5 May. No logical successor is immediately apparent in case he is forced to retire. Mir Laik Ali, ex-Prime Minister of Hyderabad State, India, and a close friend of the present Pakistani Prime Minister, is a possible candidate for the post. [REDACTED]

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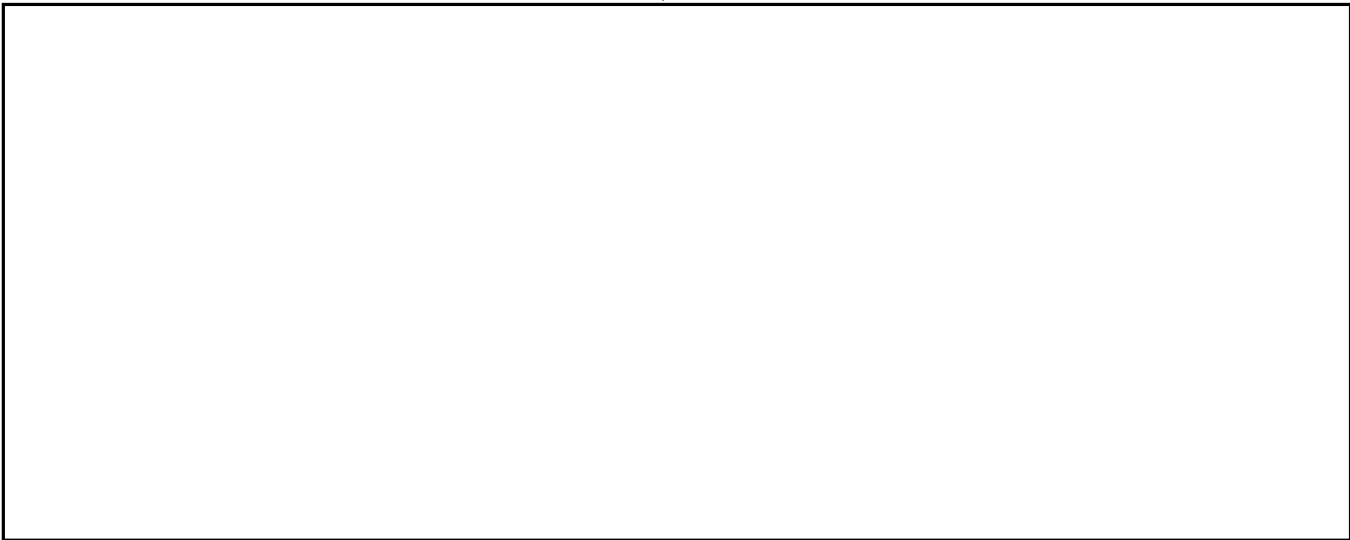
Comment: Finance Minister Mohammad Ali is one of the two foremost financial experts in Pakistan as well as one of the strongest men in the present Pakistani Cabinet. The only other prominent financial expert is Governor General Ghulam Mohammad, who suffers from chronic illness and is probably incapable of carrying a full ministerial burden. Zahid Hussain, Governor of the State Bank of Pakistan, is not politically inclined and has also been described as a sick man.

Mohammad Ali's retirement or death would be a severe blow to a government already weakened in 1951 by the death of the strong Prime Minister Liaquat Ali Khan. In addition, his illness

SECRET

SECRET

comes at a particularly inopportune time, when Pakistan is undergoing an economic recession and when its currency is reportedly depreciating.



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SECRET

WESTERN EUROPE

16. Adenauer's hand strengthened by local elections: In the Hessian communal elections of 4 May, the West German Social Democratic Party (SPD) lost some public support, relatively, while Chancellor Adenauer's Christian Democratic Party maintained its position.

This election and the Southwest State election of 9 March indicate that the upswing in SPD strength which started in 1950 has leveled off. American observers feel that if federal elections were held now, as the SPD demands, the Social Democrats would be unable to form a government. [REDACTED]

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25X1 [REDACTED] Comment: Since Hesse is normally an SPD stronghold, and since federal issues became involved in the elections, the results suggest a rising public approval of Adenauer's policies.

17. West German coalition will probably approve contractual agreements: While the West German coalition parties have become increasingly critical of the Allied-German contractual agreements as the signature date approaches, it is generally felt in Bonn that in any showdown, Chancellor Adenauer will get their approval to sign the agreements. Rumors that the Allies might grant further concessions stimulated the criticism.

No government party is willing to accept responsibility for either the breakdown of the current negotiations or the rejection of the agreements, since the alternative arrangement is the perpetuation of the Occupation Statute. [REDACTED]

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18. Austrian Government contemplates new protest against Soviet interferences: Austrian Foreign Minister Gruber has reported that his government is preparing a new protest to the Allied Council against the increased demands of Soviet occupation personnel for information regarding the political affiliations and war records of Austrian factory employees, "political" employees, and laborers in general. [REDACTED]

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Comment: The Soviet occupation authorities have found economic and political data useful for buttressing demands for increased Austrian allocations of raw materials to Soviet

SECRET

SECRET

25X1 enterprises, and they are known to have used such data as the basis for scheduling dismissals of Austrian employees from Soviet installations. The sinister purposes for which such information could be used by both the Soviet occupation and the Austrian Communist Party make the Austrian Government rightfully apprehensive with respect to this kind of Soviet intervention.

20. Spain balks over counterpart exchange rate in negotiations with US: In the current American-Spanish negotiations for an

SECRET

SECRET

economic aid agreement, the Spanish representatives have suggested that the exchange rate for counterpart funds be an average of the existing rates for goods to be imported under the aid agreement, rather than the official free-market rate preferred by the United States. [redacted]

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Comment: Spain's objection to the most favorable rate, that is, the official free market rate, stems in part from the American desire to apply counterpart funds primarily to construction of military facilities rather than to Spanish internal investment programs. The US Embassy in Madrid has pointed out that use of counterpart funds for military construction would remove the most powerful incentive for Spanish concurrence in American requests. Spain had hoped that construction activities would constitute a source of additional dollars after the MSA appropriation for fiscal year 1952 had been used up.

The US Embassy also believes that use of the exchange rate preferred by the US would quite likely have major inflationary repercussions in the Spanish economy.

LATIN AMERICA

21. Bolivian Government resents lack of recognition: The Bolivian Foreign Minister has expressed deep resentment that Bolivia has been recognized by only Guatemala. He stated that the new government meets all the requirements laid down at Bogota, and that the failure of other governments to recognize it is equivalent to intervention.

He added that "other countries" do not approve Bolivia's national revolution because it "will have great influence in such countries and interfere with the desire of the present governments to remain in power." [redacted]

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Comment: The US Embassy in La Paz believes that by "other countries," the Foreign Minister was referring to Chile and Peru.

Argentina announced recognition of Bolivia shortly after the Minister's statement. The earlier Bolivian Foreign Office announcement of Spain's recognition was apparently erroneous.

SECRET

SECRET

22. Panama's presidential campaign enters final stages: On 5 May ex-President Arnulfo Arias accused Panamanian presidential candidate Jose Remon and the police of rigging the coming elections. He announced that his Panamenista party would maintain a "moral position" and boycott both the 11 May presidential elections and the 18 May local elections. US Ambassador Wiley has been informed that, despite the tone of this announcement, Arnulfo and Remon have actually made a deal in which Arnulfo may have traded his neutrality for Remon's assurances of future political concessions.

Meanwhile, the opposition to Remon, which is supporting Roberto Chiari, hopes to organize by 9 May a pro-Chiari party from those Panamenistas who resent Arnulfo's apparent waste of their investment of time and money for the campaign. Such a party might claim the Panamenista post on the important National Electoral Jury, which will otherwise be divided 7-6 in favor of Remon.

Although Remon, who seems to have the support of 2,400 National Police, is generally expected to win the election, the reported formation by the opposition of a 600-man force trained and equipped with small arms, whose ostensible mission is "to prevent Remon and the National Police from falsifying election returns," is an indication that Chiari's supporters may be far from conceding defeat.

25X1

23. Mexico's administration party acts to limit political patronage: The Partido Revolucionario Institucional (PRI) which controls the Mexican Government, has indicated that it has discarded the custom of having the President and the state governors advise party leaders as to whom they want nominated as congressional candidates. The district and regional assemblies which met on 27 April were therefore presumably allowed to nominate candidates for the 6 July elections with considerable autonomy.

The PRI has publicized its move as a step to eliminate political patronage, allow greater popular participation in government, and permit the election of better-qualified candidates. However, the move suggests that the PRI, although it will undoubtedly control and win the elections, is increasingly concerned with the strength of the opposition parties, which have areas of local strength where they have been able to capitalize on popular discontent with officials imposed by the

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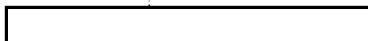
PRI political monopoly. The PRI may hope to counteract such opposition by permitting local party organizations greater latitude in selecting candidates. In less critical areas, however, national and state party leaders will probably continue to exert considerable unpublicized influence in local party affairs.

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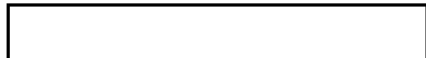
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8 May 1952

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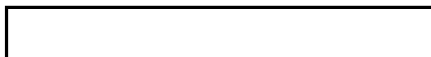
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EASTERN EUROPE

1. Yugoslavs plan to occupy Albania in the event of war:
The Yugoslav Minister to Greece informed a Greek Foreign Office official on 28 April that in the event of war or at the threat of war, Yugoslav forces would occupy Albania. The Greek official replied that by acting alone the Yugoslavs would unnecessarily weaken their long eastern front, and that they should discuss the matter with Greece, Turkey and "perhaps with others." The Yugoslav Minister implied that his government would re-examine the question of military talks. [REDACTED]

Comment: It is apparent that the Greek Government will press the Yugoslavs for an agreement defining spheres of interest or at least planning joint military operations in Albania, whenever representatives of the two countries conduct proposed military discussions. This will be a delicate problem, as the Greeks have traditional territorial aspirations in southern Albania and both governments want to establish a sympathetic Albanian regime.

NEAR EAST - AFRICA

2. French group interested in buying Iranian oil: A French group, headed by former Deputy Paul Deudon, has proposed to buy five million tons of Iranian oil annually for ten years. The Anglo-Iranian Oil Company (AIOC) reportedly considered the proposal as a basis for discussion "if its interests are served," but asked for a six-month delay in anticipation of political changes in Iran. The French Government is reluctant to sanction any transaction before AIOC is assured of some compensation, approved by the British and American Governments. [REDACTED]

TOP SECRET

TOP SECRET

Comment: Deudon was a deputy before World War II, and he was involved in some questionable financial transactions in France in 1946. This, together with the French reluctance to approve the transaction, would appear to remove any immediate possibility of its conclusion.

The Anglo-Iranian request for six months delay suggests that the British still believe that they do not need to make concessions in the oil dispute.

3. Greece and Turkey agree to military talks with Yugoslavia: Greece and Turkey agree that close collaboration with Yugoslavia is indispensable for their joint defense effort. Both countries are willing to approach Yugoslavia, and the Turkish Foreign Minister will inform the Yugoslav Ambassador in Ankara that Turkey wishes to start talks immediately.

Greek and Turkish officials believe that Yugoslavia wants military talks but is reluctant to start them because of its internal political situation. The Greek Foreign Office official who told this to Ambassador Peurifoy added that to create goodwill a group of Greek deputies plan to visit Yugoslavia soon, and a return visit presumably will be made by Yugoslav deputies.

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Comment: There are increasing indications that Yugoslavia would welcome secret discussions concerning local military cooperation with Greece and Turkey. Ambassador Peurifoy also reported that the newly appointed Yugoslav Military Attache in Athens has told the Chief of the Greek General Staff that the Yugoslav Army will "protect" the Greek-Yugoslav border in case of war.

4. French official says cabinet remains adamant on Tunisia: The Chief of the Protectorates Division of the French Foreign Office told the American Ambassador on 5 May that Foreign Minister Schuman's liberal attitude on Tunisia was not endorsed by other members of the Pinay cabinet. The cabinet, he said, was not in any mood to accept "dictates of the United Nations led by such feudal and backward countries as Yemen."

TOP SECRET

TOP SECRET

The official added that France would withdraw from the United Nations rather than submit to a "succession of attacks aimed at complete destruction of the French Union." France will not willingly allow the UN to make "unrealistic" decisions which weaken the family of free nations and serve the purposes of the Soviet Union.

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Comment: Despite their oft-repeated assertions that matters affecting Tunisia are an internal French consideration, the French have under international pressure released former Tunisian Premier Chenik and his ministers and scheduled the Mixed Commission to meet before 16 May. These gestures, however, do not mean that the Pinay government intends to grant genuine reforms.

TOP SECRET

